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C O N F I D E N T I A L SECTION 01 OF 02 KATHMANDU 000819

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SUBJECT: NEPAL: ROYAL INSIDER OPTIMISTIC ON PROGRESS
BETWEEN PARTIES AND PALACE

REF: KATHMANDU 790

Classified By: CDA JANET BOGUE. REASON: 1.5 (B,D).

SUMMARY

1. (C) On April 29 Prabhakar Rana, King Gyanendra's confidant and business partner, called on Charge d'Affaires and DCM to brief them on progress toward reconciliation between the parties and the Palace. Rana expects Nepali Congress President Girija Koirala will agree to meet the King soon and credited the Indians with playing a helpful role in persuading Communist Party of Nepal - United Marxist Leninist (UML) General Secretary Madhav Nepal to be equally cooperative. According to Rana, once an all-party government is formed, the King envisions the ensuing twelve months as focused on preparations for elections--suggesting that the timeline for actual polls could be stretched out to autumn 2005. The King reportedly is concerned that centrist political parties, like the two factions of the Nepali Congress, have allowed their popular base to wither and would fare poorly in an early election against the leftist UML and its allies. The King wants to ensure that the centrist parties have adequate time to rebuild their popular base, Rana noted. We have heard optimistic predictions from Rana several times before over the past two years, none of which has ever been realized completely. That said, Koirala's unusually accommodating tone, as well as the Indians' strenuous advocacy efforts, are hopeful new elements. We believe Koirala shares some of the King's fears about the UML's relative strength and may welcome the opportunity to come to an understanding with the Palace. End summary.

KOIRALA COMING AROUND?

2. (C) On April 29 Prabhakar Rana, King Gyanendra's confidant and business partner, called on Charge d'Affaires and DCM to brief them on progress toward reconciliation between the parties and the Palace. Rana, who noted he was traveling to New Delhi for what he described as religious reasons, reported indications that "things are moving in a positive direction." In a recent conversation, Nepali Congress President Girija Koirala told Rana that he is ready to meet the King and will try to persuade Madhav Nepal, General Secretary of the Communist Party of Nepal - United Marxist Leninist (UML), to do the same upon his return from Bangkok April 29. (Rana said the Indian Ambassador had received the same assurances from K.P. Oli, the UML's second-ranking leader and Nepal's personal political nemesis.) Koirala had told Rana that it would help if the Government of Nepal reduced the "red-line" areas (in which demonstrations are banned) before he met the King, but added that his request should not be construed as a precondition. Finally, Koirala also raised the possibility of cancelling a mass demonstration planned for May 3 if a dialogue with the King is initiated.

3. (C) Rana said he had urged Koirala to reach an accommodation with Sher Bahadur Deuba, the President of the Nepali Congress (Democratic) splinter and Koirala's long-time rival. When briefing Koirala on Deuba's meeting with the King (Reftel), Rana said he underscored the King's agreement to accept Deuba as Prime Minister again, provided that Deuba could win the support of other parties as well. Koirala reportedly told Rana that his party would have difficulty joining a Deuba-led government and suggested lending support "from outside." Rana said he discouraged that proposal, adding that Koirala could be counted on to undermine any government in which his party was not included. Rana said he urged Koirala not to miss the opportunity to reach an understanding with the Palace, and suggested, if Deuba is unacceptable, that Koirala propose several other names to the King as possible new Prime Ministers. Although Koirala did not commit to do so, Rana said he had the impression that the party leader "already had several names in mind."

4. (C) The King is not satisfied with the performance of

the government of Prime Minister Surya Bahadur Thapa, Rana continued. The small size of the Cabinet has required its Ministers to assume multiple portfolios, lessening its efficiency. The King is not even pleased with its anti-corruption efforts, Rana observed, adding that the monarch believes the current government--which he appointed--is just as corrupt as previous ones. Although the Government's anti-corruption organization is making a sincere effort, Rana explained, the number of actual prosecutions has been limited because of the corruption of the judiciary.

LATER ELECTIONS TO ALLOW
STRONGER NEPALI CONGRESS

15. (C) Rana told the CDA that the King had expressed concern that centrist parties like the Nepali Congress had lost significant ground at the local level to the UML and other leftist parties since the last elections. The UML is much better organized than the Nepali Congress factions, which have let their national organizations wither, he observed. If there were an election soon, Rana said, the King fears that the UML and other leftist parties--including, possibly, the Maoists--would emerge as a single bloc with a plurality. To avert that, the King wants a sufficiently long period before national elections to allow the centrist parties to re-establish their popular bases. Thus, once an all-party government is formed, the King wants to allow a full year for election preparations, Rana said, suggesting that national elections might not take place before autumn 2005. Rana said he had tried to dissuade the King from pursuing a proposal to install a neutral caretaker government two months before elections are held (Reftel), arguing that it is "probably not realistic" to insist that the parties agree to the plan at this early stage in discussions.

U.S. AND INDIA AS FACILITATORS

16. (C) CDA stressed to Rana that the U.S. has no preference regarding which party or which individual heads a new government. Instead, we support the restoration of the multi-party system, creation of a broad-based government, and cooperation between the parties and the Palace. She said the U.S. will continue to play a facilitating role, encouraging the parties to engage in dialogue with the King. The King fully understands the U.S. perspective, Rana asserted, and his views are consistent with it. He reported that the Indian Embassy is also working hard to promote an understanding between the parties and the Palace. The Indian Ambassador had conveyed to Koirala many of the same points Rana himself made to the Nepali Congress leader and has also been helpful in urging the UML's Nepal to meet the King without precondition.

COMMENT

17. (C) Rana has optimistically predicted political reconciliation several times over the past two years. Unfortunately, none of his scenarios ever came to fruition. That said, this latest report offers some ground for hope. First, Koirala's newly flexible stance suggests his sense of political pragmatism may be outweighing his more typical inclination toward pettiness and vengefulness. If he sees in the King's overture a way to outflank Deuba and the UML's Nepal, he may grab it. The Indians also appear to be playing a more constructive role. More than any other international actor, the Indian government has well-established social, political, and financial influence with Koirala's Nepali Congress. We do not share the King's purported concern of a UML-Maoist link in the next election. Despite its name, the UML is itself a centrist party that has had hundreds of its activists killed by the Maoists since the beginning of the insurgency. Instead, the King's reported desire to provide a longer preparation period before elections may be an effort to tempt Koirala into supporting a new government.

BOGUE